

# **THE INSTITUTE OF CHARTERED ACCOUNTANTS IN AUSTRALIA PROFESSIONAL STANDARDS SCHEMES**

## **The Institute of Chartered Accountants in Australia**

The Institute of Chartered Accountants in Australia is the professional body that trains, governs and supports Australia's Chartered Accountants. It is a national association constituted by Royal Charter in 1928. The Institute now operates under a Supplemental Royal Charter (as amended from time to time) granted by the Governor-General on behalf of Queen Elizabeth II.

## **Jurisdictions where schemes are to apply**

The Institute of Chartered Accountants in Australia (the Institute) is applying to the NSW, ACT, NT, Queensland, SA, Victorian and WA Professional Standards Councils for renewal of schemes. It is also the intention of the Institute that these schemes be prescribed by the Commonwealth under the Treasury Legislation Amendment [Professional Standards] Act 2004.

It is the intention of the Institute for the schemes to commence on 1 July 2013.

## **Participating members of the schemes**

The eligible members of the proposed Institute Scheme will be:

- Members of the Institute holding Certificates of Public Practice (CPP) other than financial services licensees.
- Affiliate members of the Institute other than financial services licensees
- Practice entity members of the Institute other than financial services licensees
- Chartered Accountant employees of members with CPP
- Partners of the CPP holder who are not eligible for membership of the Institute

These participating members of the scheme make up almost 50% of the membership of the Institute.

## **Accountancy services**

Accountancy encompasses a broad range of services and functions. Hence the term "accountancy" encompasses, but is not limited to, the following areas and activities:

Accounting, auditing, management consulting, taxation, financial management, forensic accounting, risk management, corporate advisory and insolvency services.

## **Framework of the schemes**

As set out in professional standards legislation, the liability of participating members of the proposed schemes is to be limited on the basis of insurance, business assets or a combination of insurance and business assets.

The proposed Institute Scheme provides for a minimum cap of \$1,000,000, where a reasonable charge for the services provided by the participant or which the participant failed to provide and to which the cause of action relates is \$100,000 or less.

The limitation amount is calculated by applying a multiple of 10 to the reasonable charge for service over \$100,000, up to the monetary ceiling of \$75 million in the case of Category 1 engagements. There is to be no flexibility in relation to the monetary ceiling for Category 1 engagements.

In relation to Category 2 services, the limitation amount is calculated by applying a multiple of 10 to the highest fee received in any single year over a three year period where that fee is over \$100,000. In the case of Category 2 engagements the monetary ceiling is \$20 million, with provision for flexibility on the basis of the application of the discretion of the Institute. Where the participating member has less than three full year's engagement fee history, the monetary ceiling is to be calculated by applying a multiple of ten to either the full one or two year's fee history available. Where the participating member has no fee history, the monetary ceiling for the Category 2 services is to be the higher of the minimum cap or calculated by applying a multiple of ten to a reasonable fee for the Category 2 service to be provided.

In relation to Category 3 services, the limitation amount is calculated by applying a multiple of 10 to the reasonable charge for service over \$100,000, up to the monetary ceiling is \$20 million. As in the case of Category 2 services, the scheme provides the capacity for flexibility on the basis of the application of the discretion of the Institute for Category 3 services.

These engagements are defined in the scheme as:

“Category 1 services” means:

- all services required by Australian law to be provided only by a registered company auditor;
- all other services provided by a registered company auditor in his or her capacity as auditor; and
- All services the deliverables from which:
  - will be used in determining the nature, timing and extent of audit procedures in the context of an audit of a financial report; or
  - will be incorporated into the financial report of an entity; or
  - are required by law or regulation to be filed with a regulator (excluding returns signed by a registered tax agent);

“Category 2 services” means:

- services to which Chapter 5 or Chapter 5A of the Corporations Act applies;
- services provided pursuant to s.233(2) of the Corporations Act;
- services to which the Bankruptcy Act 1966 applies;
- services arising out of any court appointed liquidation or receivership

“Category 3 services” means any service provided by a participating member in the performance of his or her occupation, which is not a Category 1 service or Category 2 service.”

### **Institute's obligations required of participating members**

Members of the Institute who will be participating members of the scheme agree to be bound by the Institute's supplemental Charter, By-laws and Regulations prescribing any ruling of the standards of practice and professional conduct, including the technical standards, as required by the Institute to be observed including:

For members generally

- to comply with the Code of Ethics for Professional Accountants, Standards issued by the APES Board and Miscellaneous Professional Statements
- to undertake 120 hours per three year period of continuing professional education in an area relevant to the member's area of practice.

For CPP holders

- to hold professional indemnity insurance as set out in the Appendix to Regulation 4
- to undertake 40% of the minimum CPE requirement in the area of any specialty represented by the holding of a statutory registration.
- To undergo the Institute's quality review program
- To comply with the Institute's Public Practice requirements set out in Regulation 9

From July 2008, any member signing a Self Managed Superannuation Fund (SMSF) audit report has been required to:

- Undertake at least 30 hours of their minimum Training and Development requirement over a three year period comprising:
  - At least 8 hours of formal superannuation training
  - At least 8 hours of formal financial statement or compliance audit training
  - At least 4 hours of formal financial accounting training
  - A maximum of 10 hours of technical reading related to this area; and
- Have completed a course in the audit of SMSFs prior to undertaking or accepting a SMSF audit engagement

### **Summary of risk management objectives**

The Institute has developed a risk management plan to be implemented over a five year period. The key risk management strategies to be implemented are:

1. To set the benchmark for the highest ethical and educational standards for accountants
  - a. On admission as a Chartered Accountant and as a member entering public practice as a Certificate of Public Practice holder
  - b. In relation to the ongoing technical development of members
2. To support members in meeting their legal/professional/ethical and practice obligations through communications via journal, e-newsletters, public and member forums, consultations with government and regulators, Training & Development products, toolkits, manual, enquiry and dispute resolution services
3. To monitor member adherence to their legal/professional/ethical and practice obligations through the Training & Development audit, Quality Control Reviews, Professional Conduct and PSC Compliance programs.

### **Administration of the schemes**

Responsibility for the administration of the Institute Accountants' Scheme lies with the Board of the Institute.

The Institute will:

- Maintain a register of participating members
- Apply discretion in relation to payment of fees in connection with the Scheme
- Determine whether participating members have complied with the requirements of the Scheme.
- Refer non-complying members to the disciplinary committee for breaches of the requirements of the Scheme

- Exercise discretion in accepting business assets either alone or together with insurance cover as an alternative to insurance cover alone
- Consider any application for exemption from the Scheme
- Establish processes to monitor and review liability claims with the objective of identifying those areas where further attention is required to reduce the frequency and value of claims.

Further information regarding the Institute of Chartered Accountants is available on the Institute's website at [www.charteredaccountants.com.au](http://www.charteredaccountants.com.au).